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ABSTRACT

A 1981 brief of the Council of Ontario Universities (COU) on operating support to the Ontario Council on University Affairs (OCUA) is presented. Background information on funding includes the following: the basis for analysis, a comparison of the COU request and OCUA 80-II, the government's provision for 1981-82, interprovincial comparisons, and intraprovincial comparisons. System requirements for 1982-83 are outlined with consideration to the following: the impact of inflation on salaries, employee benefits, and nonsalary expenditures; projecting the cost of career progress and the provision for equipment replacement; the efficiency factor; provision for enrollment variations for 1980-81; a stabilization factor; and minimum financial requirements for 1982-83. The financial context of university underfunding is considered in relation to the Ontario Government fiscal policy, federal-provincial financing, and long-term prospects. It is suggested that taken together three indicators, operating grants per student, per capita, and per $1,000 of personal income, provide a bleak picture of the province's commitment to higher education. The Ontario Government spends less on its universities, per student, than virtually every other province. It is claimed that the Ontario Government's denial of adequate funds cannot be justified on the grounds of ability to pay. It is concluded that university development can have direct bearing on societal economic problems, but more importantly, no goals can be achieved unless the ability of the university community to pursue its larger goals is fundamentally secure. (SW)

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BRIEF TO THE

ONTARIO COUNCIL ON UNIVERSITY AFFAIRS

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A FUTURE OF LOST OPPORTUNITIES?

HE 013 651

Prepared by the

COU Committee on Operating Grants

Council of Ontario Universities
Conseil des Universités de l'Ontario
130 St. George Street
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March, 1981

81-1

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COUNCIL OF ONTARIO UNIVERSITIES
CONSEIL DES UNIVERSITÉS DE L'ONTARIO

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1981 03 16

Dr. W.C. Winegard
Chairman
Ontario Council on University
Affairs
7th Floor
700 Bay Street
Toronto, Ontario

Dear Dr. Winegard:

On behalf of the Council of Ontario Universities, I am pleased to transmit to you our 1981 brief on operating support to the Ontario Council on University Affairs. This brief, prepared by the COU Committee on Operating Grants, has been approved by our Council.

You will note, that although the Committee has provided projections of enrolment and inflation for 1982-83 funding purposes, it recognizes that working so far in advance of the actual funding year creates problems with respect to the accuracy of its projections. The Committee on Operating Grants, therefore, wishes to stress the importance of the Ontario Government re-examining enrolment and inflation trends at the time it makes any decision on global funding for universities.

We look forward to our meeting with OCUA on 10 April for a continuing dialogue on matters of urgent interest to the Ontario university community.

Sincerely,

Edward J. Monahan

Edward J. Monahan
Executive Director

EJM:nd

Encl.

PREFACE

The Operating Grants Committee has this year prepared its annual funding advice to the Ontario Council on University Affairs in the shadow of larger events. On 14 November, 1980, the Government announced the establishment of a Committee on the Objectives and Funding of Ontario Universities. Recognizing that an essential part of the mandate of that Committee is to bring objectives and funding into balance, it is imperative that the university's case for increased funding once more be set forth. To those who have read our briefs in the past, we apologize for being repetitive. We are repetitive because we profoundly believe that the case for increased funding for this Province's universities is compelling and needs to be retold before any fundamental decisions which affect our universities are taken.

The case, simply put is:

1) The universities of this Province are significantly underfunded. This can be sustained by reference to the work of OCUA, by reference to the funding of universities in other jurisdictions in Canada and by examining in detail, as we do in this brief, the elements which generate the financial requirements of our university system.

2) The Government's position of inability to pay is not sustainable. The unused taxation and borrowing capacity of this Province are second to none in Canada. Ontario has the wealth to sustain a first rate university system.

3) Given political leadership, the public would support increased funding for universities. Government places our very wealth and well-being in jeopardy by not responding more positively.

1.0 BACKGROUND ON FUNDING

1.1 The Basis for Analysis

On 22 January 1981, Premier Davis announced a university funding level for 1981-82 of $923.5 million. This represents an increase of $84.7 million or 10.1% over 1980-81 funding of $838.8 million. In addition, it was announced that formula fees would be increased by 10%.

Following past practice, this first section of the COU Operating Grants Brief for 1982-83 compares the announced funding level with the advice rendered last spring by COU and OCUA. Again following past practice, the advice of COU and OCUA has been recast to take account of new evidence in the areas of inflationary and enrolment trends. It should be noted that this new evidence was available to the Government at the time that it made its decisions regarding funding.

1.2 Comparison of COU Request and OCUA 80-II

Table 1-1 sets out the implications of the advice of COU and OCUA. With respect to inflation for 1981-82, COU assumed 9.6% and OCUA 9.5%. Current information (see Table 2-1, p. 23) suggests that a projected figure of 10.5% would have been more reasonable. In

Table 4-4

Recalculation of OCUA and COU Funding Recommendations for 1981-82

($000,000's)

	Estimated Expenditure 1980-81	Inflationary Trend Cost 1981-82	Existing Service Level Cost 1981-82	Efficiency Factor (Negative)	Predicted Enrolment Costs 1981-82	Stabilization Factor + or (-)	Cost of Basic Objectives 1981-82
OCUA							
Salaries	765.4	80.4	16.9	(4.3)	30.0	(15.0)	873.4
Benefits	85.6	9.0	1.9	(0.5)	3.4	(1.7)	97.7
Non-Salary	219.5	28.3	3.5	(1.2)	8.6	(4.3)	259..
Total	1070.5	117.7	27.3	(6.0)	42.0	(21.0)	1230.5
COU							
Salaries	765.4	80.4	16.9	(0.9)	30.2	(15.1)	876.9
Benefits	85.6	11.7	2.5	(0.1)	3.5	(1.7)	101.5
Non-Salary	219.5	28.3	6.2	(0.3)	8.9	(4.4)	258.2
Total	1070.5	120.4	25.6	(1.3)	42.6	(21.2)	1236.6

application of the rate, COU and OCUA agreed with respect to salaries and non-salary items. OCUA did not agree, however, with the COU position that a provision be made for employee benefits at a rate 30% higher than the rate for salary inflation.

With respect to existing service level costs, COU and OCUA agreed on the net costs of career progress salary increments (PTR) (at 2%), disagreed on the benefit implications of these net costs and took entirely different approaches to the provision of additional

funding for furniture and equipment replacement. On the latter point, COU took the traditional approach of including a provision of 2.5% of non-salary expenditure to cover furniture and equipment replacement. OCUA chose to handle this matter outside the context of its funding model and made a special recommendation for an additional grant of $8.0 million. While not wishing to dispute the level of funding recommended by OCUA, the Operating Grants Committee is concerned that OCUA views its advice on this matter (and on the additional costs associated with bilingual programmes) as being outside the projected costs of attaining basic university objectives. In our recalculations, therefore, we have included the appropriate funds recommended by OCUA.

With respect to the efficiency factor, although OCUA continued to come closer to COU's position, some disagreement remained with COU using -0.1% and OCUA -0.5%. With respect to enrolment, COU assumed an increase of 0.9%; OCUA assumed an increase of 1.0%. In fact, enrolment increased by 3.5% (see section 2.4) and we have adjusted both sets of advice accordingly.

Despite the differences cited above, it should be clear that COU and OCUA are in basic agreement on how to estimate the basic financial requirements of Ontario's universities. As Table 1-1 indicates, COU saw these requirements rising by $166.1 million (15.5%) between 1980-81 and 1981-82. The comparable figures for OCUA's advice are $160.6 million, an increase of 14.9%.

1.3 The Government's Provision for 1981-82

As has been noted, operating grants for 1981-82 will total $923.5 million. Consistent with OCUA analytical methodology in what follows, $5.0 million for Ministry line item grants is transferred to "other revenue" and $0.6 million for the Bar Admission Course is excluded. A comparison between the reconstructed advice of COU and OCUA and the implications of the Government's announced level of funding can be simply stated.

(in $ millions)	1980-81	1981-82		
	Estimated Actual	COU	OCUA	MCU
Available for distribution by OCUA	$ 833.1	$ 978.1	$ 972.0	$ 917.9
Tuition fees	170.3	191.4	191.4	191.4
Other revenue	67.1	67.1	67.1	67.1
Total	$1,070.5	$1,236.6	$1,230.5	$1,176.4
% Increase over 1980-81		15.5	14.9	9.9

Using the OCUA funding model, one can identify a shortfall in government grants for 1981-82 of between $54.1 million (according to OCUA) and $60.2 milion (according to COU). Thus, despite the significant increase in operating grants provided by the Government for 1981-82 (relative to increases in previous years), both in dollar terms and percentage terms, the funding shortfall is the largest it has ever been since OCUA's funding advice was last accepted in 1977-78. The cumulative shortfall since that time now stands, according to COU estimates, at $259.3 million or 20.8% of projected system revenue for 1981-82 (see Figure 1-1).[1] Approximately half of this shortfall is attributable to foregone salary increases, i.e. the provision of salary increase to university staff at less than the rate of inflation. The remaining half of the cumulative shortfall arises from real reductions in faculty and staff complements and in a range of non-salary expenditures, most importantly library acquisitions, furniture and equipment replacement and physical plant renewal.

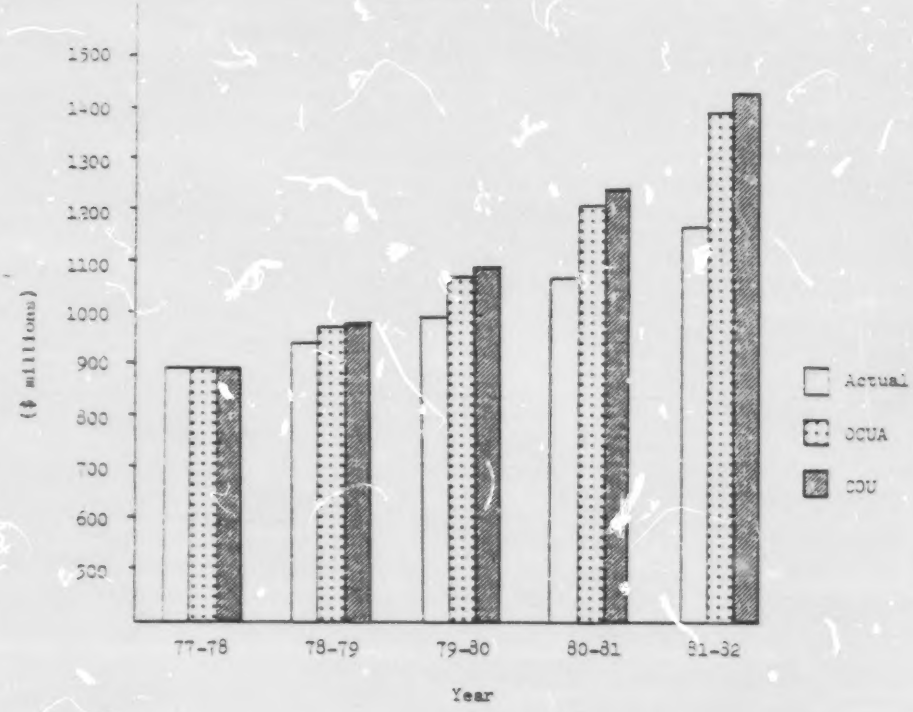
Clearly the question can be asked - are these reductions merely the trimming of "excess fat in the system" or do they represent real constraint on the ability of the universities of this Province to

---

1 This figure is derived by employing successive iterations of the OCUA funding model on a 1977-78 base. Actual enrolment and inflation levels are combined with COU advice on existing service level costs and efficiency discounts. Comparable calculations using OCUA's advice would generate an estimated shortfall of $212.8 million. Further it should be noted that the shortfall pertains to operating funds only. OCUA in September 1980 estimated the cumulative capital shortfall at $47.1 million in 1980-81.

Figure 1.1

University Funding Levels
1977-78 to 1981-82



attain the basic objectives of the system as set forth by OCUA and agreed to by the Government? OCUA is the one objective body in this Province responsible for advising the Government on the level of university funding. From its perspective, the answer is clear. Not since 1977-78 has its basic funding advice been accepted by the Government. OCUA's concerns about funding have been reinforced in two major studies, "System on the Brink" and more recently "A Financial Analysis of the Ontario University System - 1980".

Quoting from the latter report:

> ....it is clear that the system remains very much "on the brink". It is equally clear that the primary reason for this situation lies in continued underfunding of the university system.[2]

Is it possible that the basic premises which underpin the conclusions of both the university community and OCUA are unsound? Is it possible that the Government, in determining university funding levels during the past few years, has had access to some yardstick which allows it to conclude that OCUA's advice provides for a university system too rich for Ontario's needs?

For example, it has been suggested that Ontario, because of the size of its university system, might benefit from economies of scale which would permit lower expenditure per student without detriment to quality. The Operating Grants Committee finds this suggestion to be without foundation. The components of the Ontario university system are autonomous institutions of varied size offering a full range of academic programmes over a wide geographic area. While the number of institutions in Ontario might be larger than in other jurisdictions, their individual sizes and characteristics do not vary significantly from those in other provinces. Neither should their costs.

---

2 Ontario Council on University Affairs, A Financial Analysis of the Ontario University System - 1980 (Toronto: 1980). p. 1.

1.4 Interprovincial Comparisons

Perhaps the most extensive attempt to compare Ontario universities with those elsewhere has been the work of the Tripartite Committee on Interprovincial Comparisons of University Expenditures. Established by the Ontario Council on University Affairs, the Ministry of Colleges and Universities, and the Council of Ontario Universities in November, 1977, to date the Committee has published two reports - each of which outlined eight indicators for comparing the financial position of university systems among the Canadian provinces. Five years of data have been published, from 1974-75 to 1978-79, based on a common set of definitions for all 10 provinces.

A preliminary examination of the status of Ontario universities can be gained from Table 1-2. It simply compares the annual percentage increases in levels of university funding, provided in each province since 1974-75. Financial data, collected by the Tripartite Committee on Interprovincial Comparisons of University Expenditures, were used for the first four sets of year to year comparisons. Percentage increases in funding, made public by government announcement, were used for the last two sets of comparisons.

As can be seen in the Table, provincial government operating grants increased at a slower rate in Ontario than in any other

Table 1-2

Interprovincial Comparison of Percentage Increases in University Operating Grants

	1975-76 to 1980-81							
	1975-76 %	1976-77 %	1977-78 %	1978-79 %	1979-80[e] %	1980-81[e] %	Estimated Total Increase 1975-76 to 1980-81 %	Rank
British Columbia	27.9	14.2	10.1	10.6	8.3	9.5	111.0	(3)
Alberta	28.9	13.0	11.8	8.9	8.0	9.5	109.8	(4)
Saskatchewan	25.0	12.3	9.2	10.3	7.0	8.5	96.4	(5)
Manitoba	19.0	15.8	12.0	0.4	6.1	8.1	77.8	(7)
Quebec	25.6	12.8	16.8	13.4	8.9	13.6	137.7	(1)
New Brunswick	18.5	10.6	11.8	8.8	8.8	9.3	89.6	(8)
Nova Scotia	27.2	12.9	9.2	8.3	5.5	9.3	95.9	(6)
P.E.I.	14.6	13.5	6.5	7.7	8.8	9.3	77.4	(9)
Newfoundland	25.2	21.3	14.1	7.2	8.3	10.3	128.1	(2)
Weighted Average for 9 Provinces outside Ontario.	27.0	13.4	13.5	10.6	8.2	11.3	117.6	
Ontario	16.0%	14.5%	8.5%	4.7%	5.0%	7.2%	70.0%	
(Rank)	(9)	(8)	(9)	(9)	(10)	(10)		(10)
Canada	23.0	13.8	11.7	8.6	7.1	10.0	100.1	

e-estimate

Source: - Interprovincial Comparisons of University Expenditures, Tripartite Committee on Interprovincial Comparisons, September 1980.
Funding announcements, various years.

province. In virtually every one of the six annual sets of increase, Ontario had either the lowest or nearly the lowest increase over the previous year. Over the entire period covered, the nine provinces outside of Ontario in total increased the grants to their universities by approximately 117%. Meanwhile, Ontario increased its grants by only 70%. In other words, operating grants to universities in the rest of the country were increasing at a rate about 65% greater than in Ontario.

Another way of looking at operating grants involves relating grants to university enrolments. The Tripartite Committee has provided these comparisons by dividing each government's operating grants by each university system's full-time equivalent enrolments. The result is displayed in Table 1-3. Both operating grant and enrolment information has been standardized to a common definition of university education. Estimates have been provided for the last two years, 1979-80 and 1980-81, by applying known increases in operating grants and enrolment.

Table 1-3

Interprovincial Comparisons of University Operating Grants Per FTE Student 1974-75 to 1980-81

	1974-75		1975-76		1976-77		1977-78		1978-72		1979-80[e]		1980-81[e]	
	$	Rank	$	Rank	$	Rank	$	Rank	$	Rank	$	Rank	$	Rank
British Columbia	2901	(3)	3577	(3)	4014	(2)	4420	(3)	4890	(3)	5192	(2)	5430	(2)
Alberta	2965	(4)	3545	(4)	3902	(4)	4435	(2)	4939	(2)	5377	(2)	5352	(3)
Saskatchewan	2812	(5)	3324	(5)	3633	(5)	3980	(5)	4511	(5)	4846	(4)	5254	(4)
Manitoba	2591	(8)	3012	(6)	3446	(6)	3865	(6)	4111	(7)	4596	(7)	4777	(7)
Ontario	2998	(2)	3672	(2)	4006	(3)	4376	(4)	4601	(4)	4832	(5)	5218	(5)
New Brunswick	2639	(7)	2934	(9)	3345	(8)	3850	(7)	4293	(6)	4668	(8)	5126	(6)
Nova Scotia	2484	(9)	2939	(8)	3321	(9)	3558	(9)	3887	(9)	4155	(9)	4465	(9)
P.E.I.	2287	(10)	2424	(10)	2752	(10)	2893	(10)	3420	(10)	3929	(10)	4770	(8)
Newfoundland	3094	(1)	3899	(1)	4469	(1)	4826	(1)	5670	(1)	5688	(1)	5830	(1)
Weighted Average for 9 Provinces Outside Ontario	2891		3476		3864		4252		4607		4907		5214	
Ontario	2762	(6)	2999	(7)	3358	(7)	3772	(8)	4096	(8)	4262	(8)	4402	(10)
Canada	2842		3294		3671		4076		4426		4680		4931	

e - estimate

Source: Interprovincial Comparisons of University Expenditures, Tripartite Committee on Interprovincial Comparisons, September, 1980, p. 5.

Funding announcements, various years. Statistics Canada.

The results of the Ontario Government's small increases in operating grants become apparent. Compared to other provinces, Ontario has declined from granting the fifth greatest amount per student in 1974-75 to granting the least amount per student in 1980-81. In dollar terms, the gap between Ontario's provision of grant per student and the average for the rest of Canada has grown from $129 in 1974-75 to $812 in 1980-81.

Reference has been made on occasion to the necessity of including Ontario's major commitment to student aid in comparisons of this sort. While wishing to acknowledge that OSAP compares favourably with the student assistance programmes in other provinces, the relevance of its inclusion in these comparisons is questioned by the Operating Grants Committee. The objective here is to measure the funds available to universities to fulfil their basic mandate. Notwithstanding, it may be noted that in 1978-79, Ontario ranked seventh among the provinces in terms of grants plus student aid per FTE student and that the gap between ourselves and the rest of Canada was $503. This compares to our eighth place ranking and a gap of $511 for the same year, when student aid is excluded.

Similar results are obtained by utilizing the other indicators compiled by the Tripartite Committee. Dividing provincial government operating grants by the province's total population, yields an indicator of provincial operating grants per capita. On this

indicator, Ontario declined from a rank of third in 1974-75 - above the national average - to a rank of eighth by 1978-79, the most recent year of data collected by the Tripartite Committee. Estimates for 1980-81 made by COU suggest that Ontario provincial operating grants per capita are approximately the same as in New Brunswick and that only Prince Edward Island provides lower operating grants per capita.

Table 1-4 relates the wealth of each province - and thus the financial resources available to each provincial government - to its expenditures on universities. The province's wealth is stated in terms of the personal income of its residents, i.e. the income received by individuals from all possible sources, including wages, salaries, pensions, rents, dividends, interest, welfare payments, profits of personal businesses, and realized capital gains. The lower the level of provincial personal income, the less the provincial government might be expected to be able to spend on public services, including operating grants to universities.

As the table demonstrates, by 1979-80 Ontario had declined to tenth position among the ten provinces in terms of this indicator. Every other province in Canada was spending a higher proportion of its personal income on operating grants to universities, than was Ontario. That was true whether the province had a higher level of personal income per capita - as in British Columbia and Alberta - or the province had a lower average personal income.

Table 1--

Provincial Operating Grants for Universities
Per $1,000 of Provincial Personal Income

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80[e]	Rank 1979-80
British Columbia	9.68	10.74	10.63	10.53	10.61	10.12	8
Alberta	12.28	12.99	12.64	12.40	11.98	10.86	7
Saskatchewan	10.73	10.70	10.96	11.62	11.64	10.97	6
Manitoba	11.78	11.92	12.50	12.91	11.82	11.42	5
Quebec	12.25	13.50	13.13	13.97	14.23	14.17	3
New Brunswick	13.81	13.49	13.32	13.62	13.45	13.41	4
Nova Scotia	15.40	16.38	16.93	16.63	16.29	15.70	2
P.E.I.	10.93	10.16	10.33	10.16	9.59	9.52	9
Newfoundland	13.38	14.99	15.96	16.53	16.61	16.16	1
Weighted Average for 9 Provinces Outside Ontario	11.36	12.73	12.64	13.02	12.99	12.55	
Ontario	10.18	10.31	10.44	10.28	9.80	9.29	10
Canada	11.18	11.80	11.77	11.94	11.74	11.28	

e - estimate

Source: Interprovincial Comparisons of University Expenditures, Tripartite Committee on Interprovincial Comparisons, September, 1980, p. 11.
Funding announcements, 1979-80.
Statistics Canada.

Taken together these three indicators, operating grants per student, per capita and per $1,000 dollars of personal income sustain a bleak picture of this Province's commitment to higher education. They also indicate the enormous effort that will be required to enable us to catch up to the average for the rest of the country - $150 million on a per student basis, $190 million on a per capita basis and over $250 million on the basis of what this

Province can really afford as measured by personal income per capita. Alternatively, the operating grant per student could be brought up to the average of the other 9 provinces if the FTE enrolment in Ontario was reduced by 28,800 full-time equivalent students.

1.5 Intraprovincial Comparisons

We have seen that the Ontario Government spends less on its universities, per student, than virtually every other province. By its own admission, however, Ontario's level of general government expenditure, is also significantly below the national average.[3] Perhaps all publicly-supported activity in Ontario is therefore underfunded and universities share a common fate with, for example, hospitals and elementary and secondary schools.

Table 1-5 presents interprovincial comparisons of expenditures by both hospitals and schools on a per-client basis; i.e., hospital expenses per patient day and elementary and secondary school expenses per pupil. As these data suggest, the Ontario Government in these two sectors is the third most generous of any provincial government in Canada - contrast this with Ontario's tenth place position with respect to government support for universities.

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3 "Equalization and Fiscal Disparities in Canada", Budget Paper A, Ontario Budget 1980 (Toronto: 1980).

Table 1-5

Interprovincial Comparisons of Total Operating Expenses per Client

	Total Operating Expense Per Patient Day (Public Hospitals, 1978-79)		Total Expenditures Per Pupil (Elementary and Secondary Schools, 1977-78)	
	$	Rank	$	Rank
British Columbia	125.35	(8)	1,981	(4)
Alberta	135.85	(7)	2,205	(2)
Saskatchewan	118.95	(9)	1,854	(6)
Manitoba	152.43	(4)	1,935	(5)
Ontario	161.07	(3)	2,113	(3)
Quebec	142.95	(5)	2,450	(1)
New Brunswick	142.10	(6)	1,738	(8)
P.E.I.	116.42	(10)	1,792	(7)
Nova Scotia	169.27	(2)	1,686	(9)
Newfoundland	181.96	(1)	1,385	(10)

Source: Statistics Canada, 83-217 Annual. Hospital Statistics - Preliminary. Annual Report, 1978-79

Statistics Canada, 81-208 Annual. Financial Statistics of Education.

The basis for Ontario's relatively lower position for university grants, compared to other provinces is shown in Table 1-6. Here the changing degree of Ontario provincial government support for various types of organizations is shown. Universities are compared on a per-client basis with elementary and secondary schools,

Table 1-6

Expenditures per Client Served, 1973-74 to 1979-80

		1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Elementary & Secondary Education (total school costs per pupil)[1]	Actual	$1,082	$1,237	$1,410	$1,680	$1,976	$2,121	$2,366
	Constant	1,082	1,110	1,151	1,282	1,390	1,457	1,497
	Index	100.0	102.6	106.4	118.5	128.5	134.7	138.4
Hospitals (gross operating costs per diem)[2]	Actual	$82.30	$98.35	$120.48	$138.55	$151.91	$165.06	$177.19
	Constant	82.30	88.29	98.35	105.76	106.83	106.35	104.60
	Index	100.0	107.3	119.5	128.5	129.8	129.2	127.1
CAATs (operating grant per FTE student)[3]	Actual	$1,951	$2,246	$2,612	$3,024	$3,237	$3,244	$3,238
	Constant	1,951	2,016	2,132	2,308	2,276	2,090	1,911
	Index	100.0	103.3	109.3	118.3	116.7	107.1	97.9
Adult Offenders (expenditure per inmate day)[4]	Actual	$27.86	$33.30	$34.05	$41.48	$47.50	$50.97	$55.09
	Constant	27.86	29.89	27.80	31.66	33.40	32.84	32.52
	Index	100.0	107.3	99.8	113.6	119.9	117.9	116.7
Universities (operating grant per FTE student)[5]	Actual	$2,428	$2,621	$2,888	$3,272	$3,684	$4,019	$4,209
	Constant	2,428	2,353	2,358	2,498	2,591	2,590	2,485
	Index	100.0	96.9	97.1	102.9	106.7	106.7	102.3

Sources:
1. Ministry of Education
2. Ministry of Health Hospital Statistics, various years
3. Ministry of Colleges and Universities Multi-Year Plan Analysis of the Ontario Colleges of Applied Arts and Technology, various year. Ministry of Treasury and Economics, Public Accounts, various years
4. Ministry of Correctional Services
5. Ministry of Colleges and Universities.

colleges of applied arts and technology, hospitals and correctional institutions. Comparisons are made in terms of government support over the period from 1973-74 to 1979-80.

Elementary and secondary school costs, per pupil enrolled, increased by 29% in constant (uninflated) dollars over the six-year period from 1973-74 to 1979-80. Hospital gross operating costs, per patient-day, increased by 27% in constant dollars. Correctional institutions' expenditures on adult offenders, per inmate-day, increased by almost 17% in constant dollars during the six-year period.

Only in the area of post-secondary education have expenditures per client remained relatively constant when adjustments are made for inflation. Community colleges have received a 126% increase in provincial operating grants during this period - significantly greater than the 69% increase in the Consumer Price Index - but this major increase in operating grants was offset by a major increase in CAAT enrolments.

Grants to universities, on the other hand, barely kept up with inflation over this entire period and fell behind the rate of inflation in every year after 1976-77. By 1980-81, operating grants to universities per FTE student were lower, in constant dollars, than they were in 1973-74 and in most of the intervening period. If the analysis is extended back further in time where

data are available, it shows an even bleaker picture of university funding, both in absolute and relative terms (see Figure 1-2).

Further indications that the Ontario Government is not treating all publically-supported organizations alike can be seen in Table 1-7. Here, the level of operating grants to universities is compared to the level of government expenditure on all matters. Comparisons are made with total budgetary expenditures and with

Figure 1-2

Comparison of Expenditures Per Client Served, 1970-71 to 1979-80

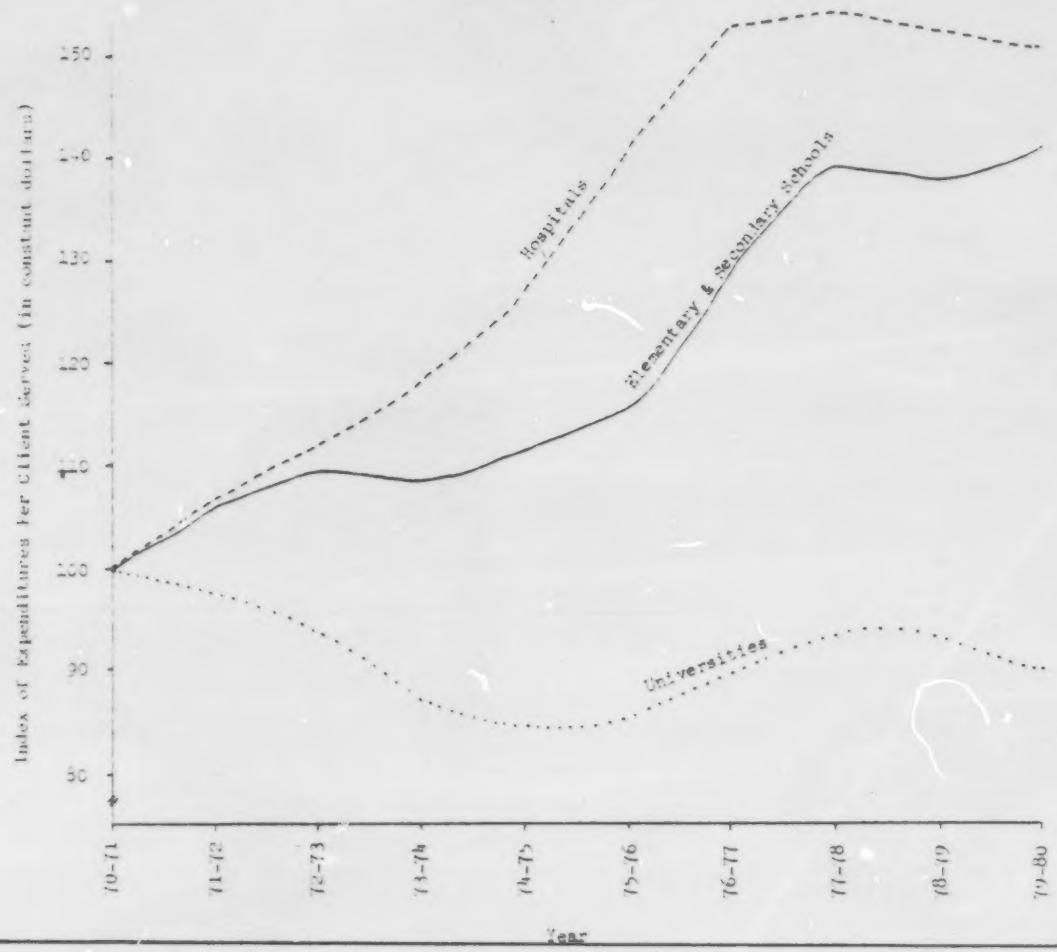

Table I-7

Universities' Share of Provincial Budgetary Expenditures
($millions)

	Provincial Government Operating Grants to Universities	Total Ontario Government Budgetary Expenditures	% Universities' Share	Universities' Shortfall from 1972-73 Level of Government Support	Total Budgetary Expenditures Minus Public Debt Interest Payments	% Universities' Share	Universities' Shortfall from 1972-73 Level of Government Support
1972-73	$396.6	$ 6,480.3	6.1		$ 6,003.4	6.6	
1973-74	423.9	7,301.9	5.8	$ 21.5	6,698.5	6.3	$ 18.2
1974-75	485.8	8,821.6	5.5	52.3	8,133.4	6.0	51.0
1975-76	565.5	10,632.2	5.3	83.1	9,765.5	5.8	79.0
1976-77	649.3	11,921.2	5.5	77.9	10,852.7	6.0	67.0
1977-78	703.6	13,129.5	5.4	97.3	11,887.3	5.9	81.0
1978-79	744.2	14,156.9	5.3	119.4	12,682.6	5.9	92.9
1979-80	781.9	15,345.9	5.1	154.2	13,938.3	5.6	138.0
1980-81 (est.)	838.8	16,788.8	5.0	185.3	14,813.8	5.7	138.9

Source: Public Accounts, Province of Ontario, various years

Estimates, Province of Ontario, 1980-81

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budgetary expenditures after public debt interest payments are eliminated. But the result is virtually the same regardless of the basis of comparison.

Since 1972-73, the universities' share of provincial government expenditure has declined by about one-sixth (i.e. an 18% decline in the share of all budgetary expenditures, a 14% decline in the share of budgetary expenditures excluding public debt). This decreasing share of the budget represents a shift of $139 to $185 million (depending on whether or not public debt interest payments are included) to other publicly-supported areas of government activity.

As it has for some years, the Government of Ontario continues to underfund the universities of this Province. This can be clearly demonstrated by contrasting current funding levels with those recommended by OCUA. In recent years, increases in grants to Ontario universities have been among the lowest in North America.[4]

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[4] Between 1978-79 and 1980-81, grants to universities in Canada (excluding Ontario) increased by 20.4%. State appropriations for higher education in the U. S. increased by 23% during this same period. Ontario university operating grants grew by 12.6%. Among all 60 state and provincial jurisdictions only four, Colorado, Michigan, Pennsylvania and South Dakota experienced lower rates of increase. See The Chronicle of Higher Education, October 14, 1980, pp. 6-10.

As a result, Ontario is spending less, relative to the size of the existing university system, than any other province in Canada. In addition, treatment of the university sector has not matched treatment of other government supported activity in this Province. Clearly, the university sector receives significantly less priority from the present Government than it once did.

2.0 SYSTEM REQUIREMENTS FOR 1982-83

2.1 Providing for Inflation

The most critical component in the projection of rising university costs is undoubtedly one's estimate of inflationary trends. The Operating Grants Committee has foregone in recent years the luxury of attempting its own estimate of inflation and has relied instead on the advice of others. Four principal sets of advice were considered by the Committee this year. The projections of the Ontario Ministry of Treasury and Economics, representing the low extreme, were set aside.[5] Similarly, the projections of the Conference Board of Canada, representing the high extreme, were also set aside.[6] The Committee focused instead on the estimates of the Federal Department of Finance and the Economic Council of Canada. Projections from both of these sources are shown on Table 2-1.

The Finance Department forecast was published along with the October, 1980 federal budget. The Economic Council forecast, contained in their Seventeenth Annual Review, assumed either no change in existing trends, their base case projection, or that

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5 The Honourable Frank S. Miller, "Federal-Provincial Cooperation in Fiscal and Economic Matters to Promote Economic Recovery in Canada", Friday, September 19, 1980.

6 The Globe and Mail, Wednesday, January 7, 1981.

Table 2-1

Projected Annual Percentage Increases in the Consumer Price Index

Economic Council[1] of Canada	1981	1982	1983	1984	1985
Base Case Projection	10.6	9.9	9.0	9.0	8.7
Real Wage Maintenance	11.4	11.0	10.0	10.0	9.6
Department of Finance[2]					
The Budget, October 1980	10.2	9.4	8.8	8.6	8.2
	1980-81	1981-82	1982-83	1983-84	1984-85
Average of 3 Projections Adjusted to University Fiscal Year	10.2	10.5	9.8	9.2	9.1

1. A Climate of Uncertainty, Seventeenth Annual Review, 1980, Economic Council of Canada, page 34.

2. The Medium-Term Prospects for the Canadian Economy 1980-85 October 1980, Department of Finance, Canada, page 14 and 22.

employees would gain wage increases at the same rate as inflation, i.e. no loss or gain in "real" incomes. These projections have been adjusted to reflect the university fiscal year and an average calculated for each year, beginning in 1980-81 and ending in 1984-85.

Based on these data, the Operating Grants Committee recommends that 9.8% be used as a reasonable estimate for inflation for 1982-83. The Committee notes, however, that its own record and that of OCUA have been ones of consistently underestimating inflation rates. We stress the importance, therefore, of the Government re-examining inflation trends at the time it makes its decision on global university funding.

2.1.1 The Impact of Inflation on Salaries

The 1970's have witnessed a significant erosion in the purchasing power of salaries paid to university faculty in Ontario. From 1972-73 until 1980-81, the CPI increased by 103%. The cumulative rise in faculty scale increases during this same period was 68%. During the last three years alone, with scale increases at 17% and inflation at 31%, substantial ground has been lost. As a result, average faculty salaries in Ontario have not kept up with other employee groups or with university faculty in most other provinces. Table 2-2 provides data for the years between 1972-73 and 1979-80. By comparison to the 77% increase in the average salary of university faculty, one might note the 127% achieved by elementary and secondary school teachers in Ontario, 85% achieved by CAAT instructors and the 100% gained by Ontario Government employees during this time period.

Table 2-2

Average Salary Levels[1]
(1972-73 = 100.0)

	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Engineers[2]	100.0	107.1	136.5	142.3	157.6	169.1	178.9	193.2
Research Scientists[3]	100.0	106.5	122.1	134.0	145.0	159.2	172.4	184.2
Federal Government Executive, Scientific and Professional Employees[4]	100.0	106.8	119.3	139.5	144.1	158.0	172.0	188.0
Ontario Government (All Salary Earners)[5]	100.0	113.8	131.2	146.1	164.2	174.4	187.3	200.3
Teachers in Ontario[6]	100.0	108.6	123.0	136.3	164.0	181.4	195.6	227.1
CAAT Full-Time Teaching Staff[7]	100.0	n/a	118.0	141.9	154.7	161.0	178.5	185.0
Ontario University Faculty[8]	100.0	106.5	116.3	131.0	144.1	155.8	164.7	177.2
Other Canadian University Faculty[9]	100.0	105.9	116.8	135.7	149.2	161.4	173.5	186.8

1. Data on average salaries have been converted to a base of 100 for 1972-73.

2. Salary figures have been adjusted to reflect Ontario salaries. Engineer level 5 in mining, manufacturing, communications, and service sectors. Data from Canada Pay Research Bureau.

3. Research Scientists in mining, manufacturing, communications and service sectors. Data from Canada Pay Research Bureau.

4. Salary of federal government employees in Ontario. "Federal Government Employment", Quarterly Report, Statistics Canada.

5. Salary of Ontario government employees. "Provincial Government Employment", Quarterly Report, Statistics Canada.

6. Average salary of secondary school teachers in Ontario. "Salaries and Qualifications of Teachers in Public, Elementary and Secondary Schools", Statistics Canada.

7. Ministry of Colleges and Universities, Statistical Summary 1978-79. Statistics Canada, "Educational Staff of Community Colleges and Vocational Schools".

8. Full, associate and assistant professors only. "Salaries of Full-Time Teaching Staff at Canadian Universities", Statistics Canada. Excludes Lakehead University in 1979-80.

9. Full, associate and assistant professors only. "Salaries of Full-Time Teaching Staff at Canadian Universities" Statistics Canada.

Table 2-3 compares the median salary of Ontario university faculty with median salaries in other provinces in Canada. Salaries paid to faculty in Ontario are lower than in either Quebec or the Western Provinces. Only the four Atlantic Provinces, with a combined university system barely one-quarter the size of the Ontario university system, had lower average salaries. As a result the

Table 2-3

Average Salaries of Teachers in Universities

1978-79 and 1979-80

Region (Number of Staff Included, 1978-79)	1978-79 Mean Salary	1978-79 Index	1979-80 Mean Salary	1979-80 Index
Western Provinces (8,464)	$31,203	100.8	$34,231	100.4
Quebec (5,723)	$33,754	109.1	$36,656[e]	107.5
Atlantic Provinces (3,517)	$25,309	81.8	$28,337	83.1
Weighted Average for 9 Provinces Outside Ontario	$30,966	100.0	$34,106[e]	100.0
Ontario (12,153)	$29,842	96.4	$32,182	94.4

e - estimate

Source: Salaries of Full-Time Teaching Staff at Canadian Universities - 1978-79 Statistics Canada

Salaries and Salary Scales of Full-Time Teaching Staff at Canadian Universities 1979-80 Statistics Canada

average salary of faculty in Ontario universities in 1979-80 was more than $1,900 below the average of faculty in the other nine provinces.

While the above data relate to faculty, they characterize the general difficulty encountered in university compensation policy as it affects all employees. With respect to university middle and senior management, salaries during the last five years have increased at a rate about 20% below that provided in the private sector. And as OCUA itself notes, a recent study by the Conference Board of Canada places university non-academic staff generally among the lowest paid in the Province.

Given these circumstances, the Operating Grants Committee recommends that full allowance for inflation on salaries be provided in determining university funding levels for 1982-83.

2.1.2 Employee Benefits

The costs to Ontario universities of providing benefits to their employees have, for most of the past decade, increased at a faster pace than salaries or operating expenditures in general. But this was not a phenomenon restricted to universities. As Table 2-4 demonstrates, the costs of employee benefits increased even more rapidly for the Government of Ontario. When benefits are stated as a percentage of salaries, the Ontario Government was spending only about 12.5% more than the universities (9.9% of salaries versus

Table 2—

Benefit Costs and Increases Relative to Salary Expenditure 1973-74 to 1979-80 (excluding Algoma, RMC, OISE, Ryerson

Year	% Increase in Salary Expenditure	% Increase in Benefit Expenditure	Benefits as a % of Salaries	Ontario Public Service Benefits as a % of Salaries
1973-74			9.5	11.3
1974-75	13.0	17.2	9.8	11.8
1975-76	14.8	25.3	10.7	13.6
1976-77	11.2	17.0	11.3	15.1
1977-78	7.5	7.8	11.3	14.8
1978-79	4.8	3.4	11.7	16.8
1979-80	4.5	1.0	11.3	16.-

8.8% of salaries for universities) in 1971-72. By 1979-80, the Government was spending 45.1% more than the universities, when compared on this basis.

During 1979-80, the total costs to universities of employee benefits did not increase significantly and during the year just ending, 1980-81, expenses are expected to increase by 7.1%. But as Table 2-5 demonstrates, these small increases have been a result of actual decreases in expenses for pension plans' experience deficiencies and past service liabilities. This is a direct

Table 2-5

Comparison of Benefit Costs

1978-79, 1979-80 and 1980-81 *

	1978-79 ($000's)	1979-80 ($000's)	Increase 1978-79 to 1979-80 ($000's)	%	1980-81 ($000's)	Projected Increase 1979-80 to 1980-81 ($000's)	%
Pension: - Current Service	39,109	41,681	2,572	6.6	44,584	2,903	7.0
Group Life	3,800	3,766	-34	-0.9	3,972	206	5.5
Long Term Disability	2,061	2,209	148	7.2	2,836	627	28.4
Dental	2,160	2,304	144	6.7	2,904	600	26.0
OHIP	6,587	6,492	-95	-1.4	6,302	-190	-2.9
Canada Pension	6,289	6,703	414	6.6	7,453	750	11.2
Workmen's Comp.	922	968	46	5.0	953	-15	-1.5
Unemploy. Insur.	7,205	6,609	-596	-8.3	7,890	1,281	19.4
Extended Health Care	706	1,069	363	51.4	1,539	470	44.0
Tuition Remission	912	1,704	792	86.8	2,098	394	23.1
Other	815	809	-6	-0.7	1,162	353	43.6
Subtotal	70,566	74,314	3,748	5.3	81,693	7,379	9.9
Exp. Deficiency	1,839	493	-1,346	-73.2	378	-115	-23.3
Past Service Liab.	3,604	2,428	-1,176	-32.6	655	-1,773	-73.0
Total Benefits	76,009	77,235	1,226	1.6	82,726	5,491	7.1

* Excludes Algoma, Nipissing and Hearst

reflection of activity in the stock market and the resulting increased investment earnings. Any downward movement in the future, in the earnings of universities' pension plans, would result in a major increase in the cost of employee benefits.

Current expenses for pension plans and other employee benefits increased by 5.3% in 1979-80 and are expected to increase a further 9.9% in 1980-81. Given the Operating Grants Committee's lack of ability to predict fluctuations in the stock market, it is impossible to predict the future costs of experience deficiency and past service liability payments into pension funds. The Operating Grants Committee has, therefore, chosen to project increases in benefit costs at the same rate as increases in salary costs. This is a departure from past practice, and is based solely on the performance of universities' benefit plans in 1979-80 and 1980-81. Very real pressure continues to exist, however, given progress in other sectors, to reduce the rapid rate of deterioration in the real value of pension benefits and the Committee may well wish to return in the future to its past practice of recommending provision for benefit cost increases that exceed salary inflation.

Other factors which OCUA may wish to note are the increased cost of unemployment insurance premiums and the potential impact of the Ontario Government's Royal Commission on the Status of Pensions.

2.1.3 The Impact of Inflation on Non-Salary Expenditure

The projections of annual increases in consumer prices cited in section 2.1 above do not adequately reflect the inflationary pressures on consumable goods purchased by universities. For this reason, an Ontario University Non-Salary Price Index (OUNSPI) was developed in 1977-78. Since then, OUNSPI has formed the basis of projecting cost increases for all non-salary items.

The most recent set of revised and updated non-salary price information is shown in Table 2-6. Details showing how this index was calculated are included in the Appendix to this brief. In almost every year since the beginning of the 1970's, OUNSPI has registered higher annual increases than the CPI. The average differential has been 23%. The Operating Grants Committee has no reason to suspect that this relationship will change and recommends, therefore, that provision be made for a rate of 12.0% non-salary inflation in 1982-83.

Table 2-6

Ontario University Non-Salary Price Index

(1981 revision: 1970-71 = 100)

Year	OUNSPI	CPI	OUNSPI Annual % Increase	CPI Annual % Increase
Actual				
1970-71	100.0	100.0		
1971-72	104.4	103.9	4.4	3.9
1972-73	108.0	109.2	3.4	5.1
1973-74	120.3	118.9	11.4	8.9
1974-75	140.9	132.5	17.1	11.4
1975-76	156.2	145.8	10.9	10.0
1976-77	170.6	155.7	9.2	6.8
1977-78	192.3	169.1	12.7	8.6
1978-79	211.9	184.5	10.2	9.1
1979-80	239.9	201.4	13.2	9.2
Estimated				
1980-81	269.9	221.9	12.5	10.2
1981-82	304.7	245.2	12.9	10.5
1982-83	341.3	269.2	12.0	9.8
1983-84	379.9	294.0	11.3	9.2
1984-85	422.4	320.9	11.2	9.1

In one particular area of university expenditure, the impact of inflation when combined with general fiscal constraint has been quite severe, and deserves special comment.

2.1.3.1 Library Acquisitions

OCUA has already recognized the reduced levels of funding for purchases of books and periodicals throughout the past decade. A one-third decline in expenditures on these items, when stated in constant dollars, has been demonstrated. To detail and assess the impact of these declines, a subcommittee of the Ontario Council of University Libraries was established last year. Some of the results of the work of that subcommittee are available to the COU Committee on Operating Grants.

Perhaps the greatest impact on university libraries has been a major decline, over the past decade, in the number of book titles purchased. The subcommittee was able to collect a complete series of data, for the 10 years from 1970-71 to 1979-80, for only nine of the universities. But this sample included most of the largest university libraries in Ontario. Table 2-7 identifies the number of monograph titles purchased over the past decade. It demonstrates a 30% decrease in the number of book titles purchased.

Table 2-7

Title Count of Monographs Acquired,
1970-71 to 1979-80
For Nine Universities in Ontario*

Year	Number	Index	Year	Number	Index
1970-71	299,515	100.0	1975-76	226,304	75.6
1971-72	288,707	96.4	1976-77	204,850	68.4
1972-73	260,466	87.0	1977-78	202,071	67.5
1973-74	224,711	75.0	1978-79	203,826	68.1
1974-75	224,990	75.1	1979-80	209,777	70.0

*Includes Brock, Guelph, McMaster, Queen's, Toronto, Trent, Waterloo, Wilfrid Laurier and Windsor.

These reductions in titles purchased have followed from increased financial pressures on university libraries coupled with a continuation of certain other basic expenditure requirements. For example, as Table 2-8 demonstrates, the continuing necessity to maintain periodical subscriptions combined with severe price increases of those periodicals has meant a significant transfer of budget priorities. Despite evidence collected by the OCUL subcommittee that a large number of periodical subscriptions have been cancelled, (some 11,000 between 1977-78 and 1979-80), continuing commitments to this area have increased periodicals' share of the acquisitions budget from barely one-third, in 1971-72, to over half, in 1979-80.

Table 2-3

Expenditures for Monographs and Periodicals By University Libraries (Binding Excluded)
($ 000's)

Year	Monographs		Periodicals		Total	
1971-72*	$4,474.1	65.3%	$2,375.1	34.7%	$ 6,849.2	100.0%
1975-76	$5,826.3	55.5%	$4,662.4	44.7%	$10,488.7	100.0%
1979-80**	$7,219.5	47.8%	$7,878.1	52.2%	$15,097.6	100.0%

* Excludes Ottawa and Wilfrid Laurier

** Excludes Ottawa

Source: Ontario Council of University Libraries

2.2 Projecting Existing Service Level Costs

The rapid expansion of the Ontario university system during the 1960's and early 1970's gave rise to two structural problems peculiar to the university sector, the costs of which must be met if existing service levels are to be maintained. The first of these structural problems relates to the overall costs of salary and benefit increases and the second to the costs of furniture and equipment replacement.

2.2.1 The Cost of Career Progress

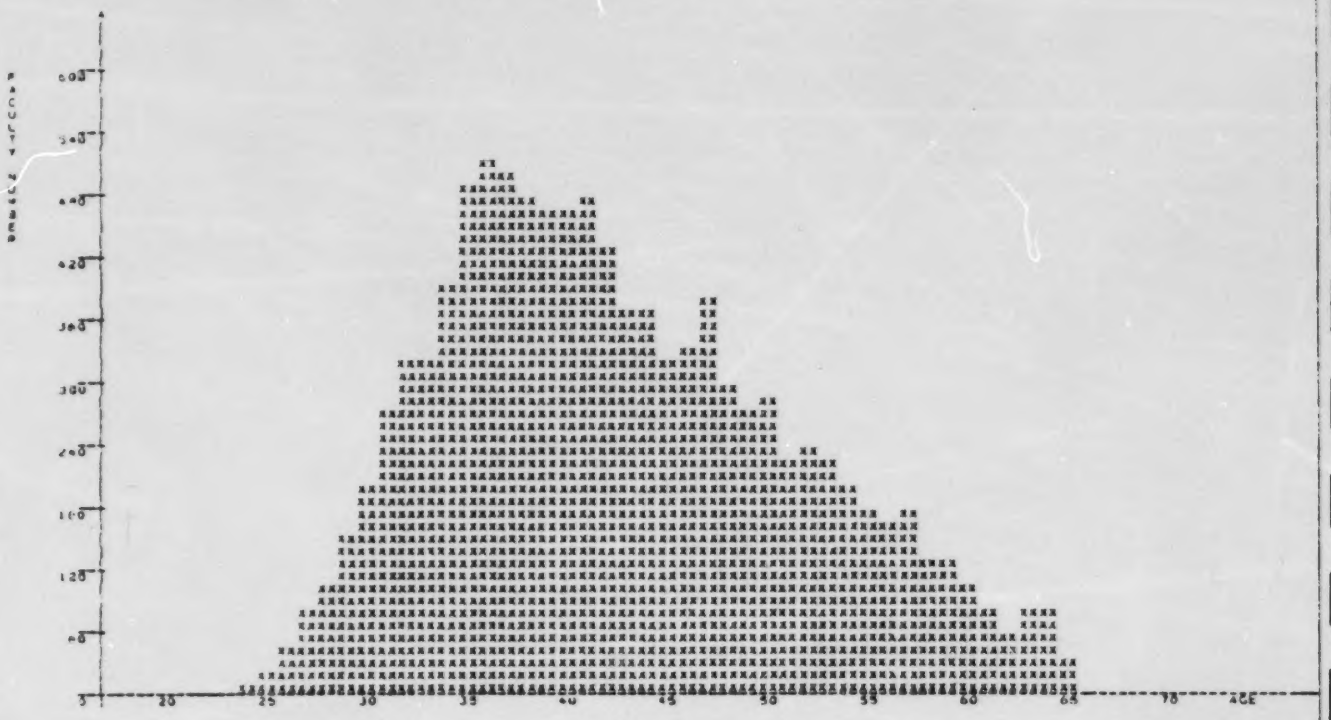
University salary policy recognizes years of service as an element of salary level. Although using a particular terminology - Progress Through the Ranks (PTR) - to designate this component of annual salary increase, universities are no different from other institutions, be they public or private, in making this provision. Where they do differ from some is that there are net costs associated with this policy.

In a work force with a relatively uniform age distribution, the costs of PTR should be met from the cumulative difference between the higher average salaries of people leaving by comparison to the lower salaries of new recruits. Because of the rapid growth of the university system in the 1960's and early 1970's, the age distribution of university staff is skewed with very few staff at or approaching retirement (see Figure 2-1). Without sufficient numbers of high salary leavers, net costs arise from the provision of step increases.

One indication that suggests that universities are not unique, however, with respect to the net costs of step increases can be gained from examining Table 2-9. While recognizing the imperfections in the two sets of data relating to coincidence of salary year and extent and mix of employee coverage, the Table sets out

Figure 2-1

1978 Faculty Age Distribution



the annual increase in the average salary of all Ontario government employees and contrasts this with the range of scale increases afforded to broad categories (administrative, professional, technical, clerical and operational) of civil service employee groups. Although the Government does not publish data on the net costs of its step increases, Table 2-9 suggests that these costs might be significant.

COU has developed a computer model which examines flows into, through and out of the faculty manpower sector. The model predicts

Table 2-3

The Costs of Ontario Government Compensation Policy

Year	% Increase in Average Salary	% Increase in Various Scales
1973-74	13.8	7.2 - 10.5
1974-75	15.4	11.0 - 21.5
1975-76	11.3	7.3 - 8.4
1976-77	12.4	7.8 - 9.3
1977-78	6.2	6.6 - 7.0
1978-79	7.4	4.0
1979-80	7.0	4.0 - 5.8

net PTR costs for 1982-83 of 1.9%. These additional net costs will decline steadily through the 1980's and early 1990's reaching a zero net cost in 1997.

2.2.2 Provision for Equipment Replacement

OCUA has for some years recognized the inadequacies of present levels of government support for furniture and equipment replacement and again one can point to the rapid expansion of the university system as one of the root causes of our present difficulty. Excluding research equipment, the purchase of which is largely funded from federal sources, it can be determined that much of our present stock of furniture and equipment was purchased from capital funds as part of the major building expansion which

characterized the late 1960's and early 1970's. Capital funds, as recently as 1973-74, provided for as much as 58% of furniture and equipment purchases; in 1979-80, capital accounts funded barely 13% of the total. The aging furniture and equipment purchased from capital funds must be replaced from severely constrained operating sources. Yet in constant dollar terms, the amounts which can be provided from these sources continue to decline.

But the essential question continues to be how much should universities be spending for furniture and equipment annually. Two years ago COU estimated the replacement value of existing inventories purchased from operating and capital sources at about $540 million. Assuming a fifteen year replacement cycle, universities ought that year (1978-79) to have spent $36.0 million on furniture and equipment purchases. They actually spent $22.9 million. Comparable figures for 1979-80 (including a provision for inflation) are $40.2 million versus $24.4 million. Applying the projected OUNSPI rates of inflation to a 1979-80 base generates a requirement to spend $57.2 million in 1982-83.

Because we regard these costs as an essential element in the overall costs of attaining basic objectives, we recommend that the OCUA model be adapted to include this figure by its insertion separately in the model and the exclusion of furniture and equipment funds from the non-salary base.

2.3 The Efficiency Factor

The Operating Grants Committee can see little value in any further discussion supporting the continued inclusion of an efficiency factor in the funding model. Any efficiencies, which can be achieved by universities, must be utilized to offset the backlog of major problems arising from four years of financial constraint. The efficiency factor may have made sense in an adequately-funded system. In an underfunded university system, its inclusion in the model is spurious.

2.4 Provision for Enrolment Variation

2.4.1 1980-81 Enrolment Summary

In preparing its enrolment projections last year for the operating grants brief to OCUA, the Committee on Enrolment Statistics and Projections took a number of factors into account. These included a stable pattern of new registrants from secondary school year 5, stable full-time undergraduate enrolment in 1979-80, continuing sharp declines in education programmes, and a slight increase in full-time graduate enrolment. These factors led CESP to project an increase of 1% in undergraduate enrolment for 1980-81 while graduate enrolment would remain the same as in 1979-80.

Detailed data on full-time enrolment for 1980-81 have been provided to CESP by the universities and summary data on part-time enrolment were obtained from MCU. These data reveal a larger enrolment increase in the Ontario universities in 1980-81 than had been forecast by CESP. Full-time undergraduate enrolment increased by 3.6% while full-time graduate enrolment was up by 1.4%. Part-time undergraduate enrolment registered an increase of 6.1% and part-time graduate was up 1.1%.

Closer examination of the detailed full-time data shows that first year undergraduate enrolment (excluding education and professional programmes such as law and medicine) increased by just over 5%, an increase of over 1,900 students (visa students accounted for about half of this increase). New registrants from secondary school year 5 went up almost 6% in 1980-81. At the same time new registrants from all other sources jumped by over 16% and the number reregistering in first year declined by almost 7%. Total first year enrolment in arts and science programmes increased by over 6%. The big increase in 1980-81 was in commerce and business programmes which grew by over 20%, an increase of 800 students. With the exception of commerce, it appears that the intake into vocationally oriented programmes (e.g. engineering, physical education) is no longer increasing.

Following a decline in the previous year, undergraduate enrolment in upper years (again excluding education and professional programmes) increased 3% in 1980-81. Arts and science enrolment was up 2% while enrolment in 4 year programmes experienced a slightly smaller increase. Again, the biggest gain was in commerce and business with an increase of 1,100 students, almost 15%. Enrolment in professional programmes declined marginally.

At the graduate level, full-time enrolment in masters and first stage doctoral programmes increased again in 1980-81 by nearly 2% while enrolment at the second stage doctoral level was up by almost 1%, reversing the slight decline of the previous year. New entrants at the doctoral level were up significantly again this year, increasing by close to 11%. At the masters level the increase in new entrants this year was of the order of 1%. Upper years masters enrolment was up nearly 5%, however, reflecting the increase in new entrants in the previous year.

2.4.2 Projections for 1981-82

Although the 18-24 years of age population in Ontario continues to increase and enrolment in secondary school year 5 has been relatively stable, university enrolment in Ontario in recent years would appear to have been determined by more than demographic factors. In 1977-78 and 1978-79, Ontario universities experienced unexpected enrolment declines; during this period the value of a

university education was being questioned in the public mind. In 1979-80, there was a modest enrolment increase and in 1980-81 a larger increase took place. Throughout this four-year period, the gloomy economic picture has remained unchanged. But clearly in the last two years the general perception of the university experience appears to have improved. However, CESP is unable to fully explain this improvement in the universities' situation.

a) Full-time undergraduate enrolment

Although first year undergraduate enrolment increased significantly in 1980-81 and demand continues to be buoyant, CESP does not feel that a similar increase should be anticipated in the next year. First year undergraduate enrolment is approaching the level attained in 1976-77, the year in which university enrolment in Ontario reached its peak. CESP believes that many universities may be reluctant to allow their enrolment to increase beyond the 1976-77 level. With this in mind, CESP projects an increase of some 750 students in first year undergraduate enrolment in 1981-82 (excluding education and professional programmes), representing an increase of about 2%. It should be noted that, because of significant uncertainties, no account has been taken in this projected increase of the potential for major variation in visa student enrolment.

In considering upper year undergraduate enrolment (again excluding education and professional programmes), CESP believes that the pipeline effect of the 4% increase in 1979-80 and the 5% increase in 1980-81 in first year enrolment will be the dominant factor. In addition, a number of universities reported that retention rates of students in upper years continues to increase. As a result, CESP expects an increase in upper years enrolment greater than the increase of 2,200 students this year, and projects an increase of 3,000 students in 1981-82, about 4% above the 1980-81 level. Enrolment in professional programmes is expected to remain stable in 1981-82. As enrolment in education programmes has followed a roller-coaster pattern in recent years, CESP can only project that enrolment in education will remain at the 1980-81 level.

In summary, CESP projects an increase in full-time undergraduate enrolment in 1981-82 of roughly 3,750 students, about 3% above the 1980-81 level.

b) Full-time graduate enrolment

For the second year, full-time graduate enrolment increased in 1980-81. As new entrants into both the masters and doctoral levels increased as well for the second year in a row, CESP believes that the pipeline effect will yield an enrolment increase in 1981-82 somewhat higher than in 1980-81. CESP projects that full-time graduate enrolment will increase in 1981-82 by 2.5%.

c) Part-time enrolment

Due to a greater degree of fluctuation in part-time enrolment in recent years, the Committee is less confident of its predictions of future levels of part-time enrolment. Accordingly, in recent years CESP has tended to predict that part-time enrolment would follow the patterns of full-time enrolment. For part-time enrolment at the graduate level, CESP will again follow past practice. As no evidence has been brought to the attention of the Committee that would suggest that different factors are influencing part-time enrolment than is the case for full-time, CESP projects that part-time graduate enrolment will increase by 2.5% in 1981-82.

The situation appears to be somewhat different in the case of part-time undergraduate enrolment. For the second year in a row, part-time undergraduate enrolment increased by 6%. CESP believes that these increases are the result of short-term factors, for example, the desire of teachers to improve their credentials. Accordingly, as there is no evidence to suggest a different pattern in the next year, CESP projects an increase of 5% in part-time undergraduate enrolment in 1981-82.

In summary, overall enrolment (all levels both full-time and part-time) in the Ontario universities is projected to increase in 1981-82 by about 3.5%. The Operating Grants Committee, again this year, wishes to remind OCUA that this increase may not be experienced uniformly; enrolment shifts may vary considerably among institutions.

2.5 Stabilization Factor

There seems to be complete agreement, among all parties concerned, that a 50% discount factor should be applied to enrolment variations when estimating financial requirements. Such a discount recognizes that there is a fixed as well as variable component in the financial infrastructure of universities.

2.6 Minimum Financial Requirements for 1982-83

2.6.1 Establishing the Funding Base

The OCUA system funding model requires that known and estimated university revenues for 1981-82 be adjusted, according to expected changes in enrolment, inflation and certain internal, structural factors, to derive a proposed level of funding for 1982-83.

Total revenue is composed of operating grants, tuition fees and "other" revenue. Section 1.3 established these components for 1981-82 at $917.9 million, $191.4 million and $67.1 million respectively.

Last year, the Operating Grants Committee argued for the exclusion of all "other" revenue from the calculation.

> From the Government's point of view.....this recommendation could be viewed as providing universities an incentive to cause "other" revenue to grow

> at least as fast as grant and fee revenue. From the universities' point of view, the recommendation means that should they succeed in generating even greater growth in "other" revenue, they will not be penalized for having done so. From a technical point of view, the advantages of the recommendation are obvious.[7]

OCUA has not been able to agree with COU's position on this matter. While the Operating Grants Committee still believes its original position to be a sound one, the point at issue is not sufficiently significant to merit disagreement with OCUA. Clearly, under present circumstances, it is advantageous to the universities to accept OCUA's point of view.

In establishing the funding base, it is assumed that total revenue equals total expenditure. Thus the expenditure base for 1981-82 is $1,176.4 million. This is distributed between salaries, benefits and non-salary items on the basis of the pattern of expenditure evident from 1979-80 COFO-UO data. Arising from our recommendations in section 2.2.2 on furniture and equipment, $23.1 million has been removed from the non-salary base.

2.6.2 A Summary of the Factors in the Calculation

Table 2-10 summarizes the OCUA funding model and provides an estimate of the cost of the basic objectives for 1982-83.

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7 Council of Ontario Universities, Committee on Operating Grants, Changing Public Priorities: Universities and the Future of Ontario, Brief to the Ontario Council on University Affairs (Toronto: 1980), pp. 47-48.

Column 1: Estimated Expenditures 1981-82 - Provincial government operating grants, revenue from formula fees and "other" revenue are used to establish the funding base for 1981-82.

Column 2: Inflationary Trend Cost 1982-83 - Inflation is entered into the model at a rate of +9.8% for salaries, +9.8% for benefits, and +12.0% for non-salary items.

Column 3: Existing Service Level Cost 1982-83 - Provision for PTR on salaries and the benefit implications of PTR of 1.9% must be included. $57.2 million is added for furniture and equipment replacement.

Column 4: Efficiency Factor - No discount can be recommended given current funding levels.

Column 5: Predicted Enrolment Costs 1982-83 - Enrolment has been projected to increase by 3.5%. Although COU believes the OCUA model should be adapted to provide for 3 year enrolment averaging, this projected increase is handled in the traditional way in the calculations.

Column 6: Stabilization Factor - Enrolment increases or decreases are discounted by 50%.

Column 7: Cost of Basic Objectives, 1982-83 - This represents the required level of operating grants, tuition fees and "other" revenue necessary to prevent underfunding from becoming worse.

2.6.3 Cost of the Basic Objectives, 1982-83

The operation of the funding model, as shown in Table 2-10, indicates that the costs of achieving basic university objectives will rise by 16.5% between 1981-82 and 1982-83. Taking account of additional income from enrolment growth but no increase in "other" revenue, operating grants and formula fees would have to rise by 16.8% to cover these costs. This increase will only cover the additional costs incurred by universities because of inflation, enrolment increases, and structural factors like PTR. It will not provide for any expansion of the existing university system, nor will it permit the universities to regain ground lost over the past few years. It will simply keep underfunding from becoming worse.

Table 2-10

CCU Funding Recommendations for 1982-83
($000,000's)

	Estimated Expenditures 1981-82	Inflationary Trend Cost 1982-83	Existing Service Level Cost 1982-83	Efficiency Factor (Negative)	Predicted Enrolment Costs 1982-83	Stabilization Factor + or (-)	Cost of Basic Objectives 1982-83
Salaries	841.6	82.5	17.6	-	33.0	(16.5)	958.2
Benefits	94.7	9.3	2.0	-	3.7	(1.9)	107.8
Non-Salary	217.0	26.0	57.2	-	8.5	(4.2)	304.5
Total	1,153.3	117.8	76.8	-	45.2	(22.6)	1,370.5

3.0 THE FINANCIAL CONTEXT OF UNIVERSITY UNDERFUNDING

3.1 Ontario Government Fiscal Policy

The Operating Grants Committee believes that the material presented in this and previous annual briefs to OCUA establishes unequivocally the significant financial investment required to restore and maintain the universities of this Province. Further, it is our impression that OCUA, the Government's own advisory agency dealing with higher education, recognizes and sustains the position of the university community. Yet the Government remains unwilling to find the requisite funds to forestall further deterioration of the universities' financial position. Given four years of consistent underfunding of the university system, the Government must have compelling reasons for continuing its present policy.

The reasons, be they compelling or otherwise, apparently lie in the Government's intention that this Province should have a balanced budget by 1983-84. To attain this goal "requires that an average differential in the range of 2.5% between the rate of revenue growth and the rate of spending growth be maintained."[8]

Rather than increasing revenue in this equation, the Government has chosen to constrain expenditure. Two principal reasons are

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8 "Strengthening Fiscal Management", Budget Paper C, p. 4, Ontario Budget, 1979 (Toronto: 1979).

cited for this particular approach to balancing the budget:

1. that restraint is required in order to combat inflation; and
2. that restraint is required in order to free resources for more productive use by the private sector.

The Government recognizes that "a large number of provincially funded institutions have been funded over a period of years at rates somewhat below the growth in inflation" and that "in some areas, basic services could suffer unless funding is forthcoming at moderately higher levels."[9] The goal to balance the budget within a limited timeframe has not, however, been abandoned.

Has a deficit to be eliminated before the goal of a balanced budget is achieved? By the Government's own admission

> Sound public finance suggests that government should finance its operating expenditures from current taxation and its capital expenditures from debt issues. Because capital investments are generally long lived assets, they benefit future generations as well as current taxpayers; long-term debt financing of capital expenditures ensures that the future work force shares in the costs as well as the benefits.[10]

Yet as the Ministry of Treasury and Economics itself has stated: "Ontario's capital investments have generally exceeded the level

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9 "A Solid Foundation for the 1980's", Budget Paper C, p. 9, Ontario Budget 1980 (Toronto: 1980).

10 "Ontario's Borrowing and Public Capital Creation", Budget Paper A, p. 3, Ontario Budget, 1978 (Toronto: 1978).

of net cash requirements".[11] Following the logic of these statements, it can be determined that Ontario has had a surplus on current operating funds in most fiscal years - a surplus which has averaged more than $300 million over the course of the past decade (see Table 3-1). In effect, the provincial government's "deficit" -which it is so determined to eliminate - is not really a deficit

Table 3-1

Capital Expenditures, Liquid Reserves and Borrowings

Province of Ontario, 1972-73 to 1980-81

($000,000's)

Year	Net Borrowings (1)	Net Cash Requirements (2)	Increase(Decrease) in Liquid Reserves (1) - (2) = (3)	Capital Expenditures (4)	Current Funds Surplus (Deficit) (4) - (2) = (5) (3+4) - (1) = (5)
1972-73	$ 1,028	$ 744	$284	$ 1,103	$359
1973-74	710	708	2	1,226	518
1974-75	651	977	(126)	1,399	422
1975-76	1,974	1,799	175	1,627	(172)
1976-77	1,092	1,319	(227)	1,480	161
1977-78	1,506	1,762	(256)	1,536	(226)
1978-79	1,652	1,180	472	1,361	181
1979-80	1,133	584	549	1,540	956
1980-81 (Interim)*	982	981	1	1,535	554
Nine-year Total	$10,928	$10,054	$874	$12,307	$2,753

* 1980-81 Interim amount as of December 31, 1980

Notes: (1) Proceeds of Loans minus Retirement of Loans.
(2) Expenditures minus Revenues plus or minus net Non-Budgetary Transactions.
(3) Cash, temporary investments and marketable securities. The opening balance at the beginning of 1980-81 was $1,569 million.
(4) Physical assets, buildings and land make up the bulk of this amount. Data presented are Interim 1979-80 and Estimated 1980-81 from the Ontario Budget 1980, April 22, 1980.
(5) Capital expenditures minus net cash requirements equals the surplus or deficit on current, operating expenditures. It is composed of the increase or decrease in liquid reserves plus capital investments and minus net borrowings.

11 "A Solid Fiscal Foundation for the 1980's", Budget Paper C, p. 11, Ontario Budget, 1980 (Toronto 1980).

at all. It is an investment in the Province of Ontario - an investment in highways, bridges, school buildings, hospitals, housing projects, land, buses and subways, mortgages, and a whole host of other physical and financial assets. About one-fifth of this capital investment is financed out of current revenues - taxes and transfer payments - but the remainder must be borrowed.

Why is it necessary to use operating funds to finance capital investments? Is our capacity to borrow for capital purposes severely constrained? Not according to the Treasury.

> In fact, in the 1979-80 fiscal year, the overall deficit was well below the amount of funds available from non-public borrowing sources despite the fact that Ontario has continued to maintain a strong program of capital investment.[12]

Not only has it not had to borrow on the public markets, it has been retiring off existing debentures. And it has increased its liquid reserves - cash, temporary investments and marketable securities - to such an extent that, by the beginning of the 1980-81 fiscal year, they equalled $1.57 billion.

Earlier in this brief, we asked if a deficit existed which had to be eliminated before the goal of a balanced budget could be achieved. In fact Ontario presently runs an operating surplus and has sufficient access to non-public borrowing sources to cover its capital investments. Again we must ask - why the severe constraint on government operating revenue?

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12 "A Solid Fiscal Foundation for the 1980's", Budget Paper C, p. 14, Ontario Budget, 1980 (Toronto: 1980).

The Operating Grants Committee has provided telling evidence which measures, in a number of ways, the extent to which Ontario universities continue to be underfunded. The eventual effect of this funding policy will be a system of universities in Ontario which will be less than adequate to the Province's needs. Is the Government's apparent unwillingness to adequately fund the universities a natural outcome of the Province's inability to pay, a reflection of what it can afford?

Two commonly used standards of what a given jurisdiction can afford are gross general revenue as a percentage of gross domestic product and as a percentage of provincial personal income. Table 3-2 displays Ontario's position in Canada with respect to these two indicators. It demonstrates clearly that no other province generates less revenue as a percentage of these two indicators than does Ontario and that the gaps between this Province and the rest of the country are quite large.

While more refined analysis suggests that Ontario's wealth is not as amenable to traditional taxation approaches as is the case with other provinces (particularly the resource producing provinces), an examination of Ontario's total fiscal capacity relative to Ontario's tax effort indicates that this Province's tax revenues could be increased in traditional ways by about 15% without exceeding the average level of taxation in the rest of Canada.

Table 3-2

Estimated Gross General Revenue as a Percentage of
Gross Domestic Product and Provincial Personal Income, 1978-79

	Gross Domestic Product ($000,000's)	Gross General Revenue %	(Rank)	Provincial Personal Income ($000,000's)	Gross General Revenue %	(Rank)
British Columbia	$27,890.7	18.6%	(9)	$22,224	23.3%	(8)
Alberta	28,128.9	23.6	(6)	16,410	40.4	(1)
Saskatchewan	9,661.5	20.8	(7)	7,046	28.5	(6)
Manitoba	9,300.3	18.8	(8)	7,702	22.7	(9)
Quebec	56,180.9	24.9	(5)	47,329	29.2	(5)
New Brunswick	4,396.5	29.7	(3)	4,159	31.4	(4)
Nova Scotia	5,636.1	26.1	(4)	5,422	27.2	(7)
P.E.I.	633.7	42.4	(1)	680	39.2	(2)
Newfoundland	2,987.8	39.5	(2)	3,023	39.0	(3)
Weighted Average For 9 Provinces Outside Ontario	$144,816.4	23.3%		$144,595	29.5%	
Ontario	89,940.0	15.6	(10)	73,770	19.0	(10)
Canada	$234,756.4	20.4%		$218,365	25.4%	

Source: Statistics Canada

This is demonstrated on Table 3-3. The critical column 4 of the Table states Ontario's tax capacity per capita on the basis of the revenue which would be collected by each province if every government were to levy identical average tax rates on each of the 29 taxes which form the basis for calculation of federal equalization payments. Clearly the capacity exists in this Province, without exceeding national norms, to generate considerable additional government revenue. Assuming that the universities attracted

their normal share of such additional revenue, this would generate a further increase in 1980-81 operating grants of $130 million.

After four years of underfunding of Ontario universities, the Operating Grants Committee has searched for compelling reasons for the inordinately unsatisfactory level of university operating support. It has found none. What it has found instead is that there is a range of alternative sources of revenue available to the Government which can and should be tapped. The alternative of further constraint of revenue growth is unacceptable if it means

Table 3-3

Estimated Per Capita Revenue and Tax Capacity by Province, 1979-80

	Total Provincial Government Revenues Per Capita (1.)	Federal Cash Transfers Per Capita (2.)	Net Estimated Tax Revenue Per Capita (1.-2.=3.)	Estimated Tax Capacity Per Capita (4.)	Estimated Tax Effort (3./4.=5.)
British Columbia	$2,350	$ 334	$2,016	$2,123	95.0%
Alberta	$4,585	$ 329	$4,256	$4,196	101.4%
Saskatchewan	$2,456	$ 421	$2,035	$1,901	107.0%
Manitoba	$1,988	$ 598	$1,390	$1,449	95.9%
Ontario	$1,320	$ 322	$1,498	$1,690	88.6%
Quebec	$2,420	$ 517	$1,903	$1,496	127.2%
New Brunswick	$2,072	$ 954	$1,118	$1,273	87.8%
P.E.I.	$2,218	$ 1,246	$ 972	$2,143	35.0%
Nova Scotia	$1,972	$ 884	$1,088	$1,281	84.9%
Newfoundland	$2,316	$ 1,054	$1,262	$1,225	103.0%
CANADA	$2,820	$ 458	$1,362	$1,362	100.0%

Sources: Ontario Budget 1980, Budget Paper A, page 14
Canada, Federal Expenditure Plan 79-80, Treasury Board
Canada, Provincial Fiscal Equalization Tables, Department of Finance

an inadequate level of funding for Ontario universities.

3.2 Federal-Provincial Financing

It is within this context of university underfunding and Ontario government fiscal policy generally that the Operating Grants Committee wishes to raise another matter of concern. Under previous legislative arrangements, i.e. prior to 1977, the Established Programs Financing Act provided federal grants and tax points to Ontario sufficient at that time to cover about two-thirds of the Ontario Government's operating grants to universities. Although the destination of federal monies is disputed, given the ambiguity of current EPF legislation, it is clear that the Federal Government maintains its EPF balance sheet along traditional lines. That approach, exemplified by Table 3-4, indicates that federal monies are now covering about 94% of the operating grants directed to Ontario universities. It further indicates that because federal transfers have been increasing at a faster rate than increases in grants to universities, within the context of this source of funds, the net cost of universities to the Province has declined each year.

The Province of Ontario, for its part, criticized the previous EPF legislation on numerous grounds, but largely because its cost sharing arrangements caused distortions in provincial priorities.

Table 2--

Estimated Federal Government Transfers (Cash and Tax Points) To Ontario For University Financial Support, 1976-77 to 1980-81

Year	Ontario Government Operating Grants to Universities ($000,000's	Estimated Federal Government Tax Points and Cash Transfers for University Expenditures ($000,000's)	Estimated Federal Transfers As a Percentage of Ontario Expenditures
1976-77*	$ 649.3	$ 441.3	67.9%
1977-78**	$ 703.6	$ 549.7	78.1%
1978-79**	$ [illegible]	$ 630.2	[illegible]%
[illegible]**	$ [illegible]	$ [illegible]	91.2%
1980-81**	$ 838.8	$ 788.5	94.0%
Total 1977-78 to 1980-81 E.&O.E.	$3,068.5	$2,661.3	87.4%

Sources: Canada, Department of Finance
Canada, Department of the Secretary of State
Ontario, Public Accounts, various years

* Federal-Provincial Fiscal Arrangements Act, university portion only, up to 1977

** Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977 - university portion only

Note: Council recognizes that the intended destination of federal monies transferred under EPF legislation is disputed. The federal authorities maintain that these transfers are intended for use within the postsecondary sector, while provincial authorities hold that the use of the funds is unrestricted under the terms of the legislation. In addition, some parties prefer to separate cash transfers and tax points in an analysis of present transfer arrangements. In the above presentation, cash and tax transfers are combined. In the latest year (1980-81), 41.6% of the transfers identified above were in the form of tax points, and 58.4% in the form of cash transfers.

In commenting on the new legislation, the Government noted:

> The provinces gain the increased flexibility that they sought by having federal contributions detached from provincial spending patterns. The growth of the overall federal contribution leaves them with considerable risk, but they can now adjust their delivery systems, without financial penalty, in order to provide lower cost services.[13]

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13 "Federal-Provincial Fiscal Reforms", Budget Paper B, p. 10, Ontario Budget, 1977 (Toronto: 1977).

Clearly, the Province believes that federal cash and tax transfers to Ontario arising from current EPF legislation are unrelated to what the Province spends in areas designated by that legislation.

Whatever interpretation one places on the intent of Established Programs Financing, the following points seem indisputable:

1. the level of underfunding of Ontario's universities may have been one of the contributing factors in focusing the Federal Government's concern regarding EPF on the post-secondary aspects of that agreement; and
2. any significant change in EPF arrangements could have a serious impact on overall funding levels and, depending on the mechanism chosen, the distribution of funding among and within Ontario's universities could be effected as well.

The Operating Grants Committee cannot be unmindful of the current debate over the future of EPF legislation. Given the position of the Ontario Government that EPF and provincial spending decisions are unrelated, it would be inconsistent if global university funding levels were affected by federal legislative changes. The impact on distribution, however, remains problematic and the Operating Grants Committee urges OCUA to maintain a watching brief on EPF developments.

3.3 Long-Term Prospects

In previous years, the Operating Grants Committee has concluded its annual brief to OCUA with extrapolations of the impact of continued underfunding on the well-being of the Ontario university system. In terms of the funding trend-line we have been on for the last several years, nothing has changed and we see no point in repeating the obvious. The picture of current and future years remains as bleak as ever, essentially one of lost opportunities - opportunities to maintain and extend university accessibility to a broad spectrum of Ontario society, opportunities to expand the supply of professionals essential to our economic well-being, opportunities to forge new links between the university and the larger society it serves, not only in terms of teaching and research but also in terms of extending the knowledge of university communities beyond campus boundaries. This need not be the case however. With adequate funding, the future could be quite different.

We believe that Ontario has the necessary wealth to restore and maintain its present university system. We believe the universities of this Province to be essential to the preservation of our spiritual and material well-being. Is ours to be a future of lost opportunities?

4.0 CONCLUSION

> To ensure international competitiveness and achieve economic growth, the Government will promote research and development, nurture high technology, and expand markets for Ontario products.
>
> Ontario will expand its investment in people so that our labour force has the skills, the mobility, and the productivity to maximize the Province's growth potential in the 1980's."[14]

These are among the recently enunciated strategies of the present Government for launching Ontario into the 1980's. Can these and other strategies dealing with economic growth be achieved without a strong university sector - a sector which is presently threatened by the provincial government's financial policies?

The Board of Industrial Leadership and Development has set itself the task of creating "opportunities for massive economic expansion".[15] Clearly, the existence of a sophisticated university system of an adequate size and scope will be a necessary basis for that economic expansion. Without its research capacity, the

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[14] The Honourable William G. Davis, Board of Industrial Leadership and Development, Building Ontario in the 1980's, (Toronto: 1981), pages 26 and 33.

[15] Ibid., p. 3.

technological developments necessary for Ontario's economic growth will not occur. Without the skilled people to operate the sophisticated institutions of a post-industrial society, it is virtually impossible to see Ontario advancing into the 1980's with any degree of confidence.

The Operating Grants Committee believes that a major threat to the economic goals enunciated by the Government is the lack of an adequately developing post-secondary educational sector. On the one hand, the Government is setting out economic goals which require a sophisticated university system. On the other hand, the Government is denying the university system adequate funds to fulfill its societal responsibilities.

Table 4-1

Canadian Unemployment Rates
Estimates by Educational Attainment
(Seasonally Unadjusted)

	December 1976	December 1977	December 1978	December 1979	December 1980
Total Canadian Labour Force	7.4	8.3	7.9	7.0	7.1
0-8 Years	8.3	10.5	9.4	9.0	9.0
High School	8.4	9.5	9.0	7.8	8.3
Some Post-Secondary	6.4	6.9	7.0	6.8	6.7
Post-Secondary Certificate or Diploma	4.9	6.0	5.2	5.1	4.0
University Degree	3.9	3.0	3.4	2.8	2.5

Source: Estimates by Educational Attainment The Labour Force Monthly Report. Statistics Canada

As the Operating Grants Committee has also pointed out, the Ontario Government's denial of those adequate funds cannot be justified on the grounds of ability to pay. The desire to reduce or eliminate borrowing - even for capital purposes - and to build up liquid reserves while still keeping taxes among the lowest in the country might be all very well if the economy were already operating at capacity, were generating full employment and high incomes, and needed to be kept under some degree of control. But such is not the nature of the Ontario economy in 1981. As witnessed by the Supplementary Measures to Stimulate the Ontario Economy, introduced last November by the Treasurer of Ontario, the Government itself has recognized the realities of economic slowdown and high unemployment.

In fact, in the words of the BILD, "the growing pressures caused by slowdowns in the world economy, increasing oil costs, and even more competitive industrial technologies, require a definitive act of economic will and resolution if Ontario is to continue to prosper."[16] A major portion of that "economic will" must involve the Ontario university system.

Aiding economic development is but one of a whole range of responsibilities subsumed within the more general goals of the university to preserve, extend and disseminate man's knowledge. That we have stressed the importance of universities to our economic well-

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16 Ibid., p. 2.

being should not, therefore, be misread. For addressing only those aspects of university development that have direct bearing on our economic problems will not work. Whatever particular responsibilities the Government ascribes to the universities of this Province, none can be achieved unless the ability of the university community to pursue its larger goals is fundamentally secure. We doubt that this is presently the case.

APPENDIX

Update (1981) to the Ontario University Non-Salary Price Index

Three years ago the Ontario University Non-Salary Price Index* was published. The COU Research Division has been constantly reviewing the Index to make it an even more reliable indicator of non-salary inflation rates. The latest revisions and updating of the OUNSPI are presented in this Appendix.

The revisions made for 1981 have not led to substantial changes in the approach taken in preparing this Index. The methodology, item content and weighting pattern have remained unchanged from last year.

Books

This component index for 1978-79 has been revised, in the light of more definite information, and an estimate provided for 1979-80.

Computing

These data were supplied by D. Kent Halstead of the U. S. National Institute of Education under the heading labelled EDP hardware. A complete description was included in the publication Higher Education Prices and Price Indexes. The most recent data were published in the October 1980 issue of Business Officer, published by the U. S. National Association of College and University Business Officers. These data were converted into Canadian dollars using the publication Quarterly Estimates of the Canadian Balance of International Payments, System of National Accounts (Statistics Canada). The overall result of minor revisions to these data has slightly altered the computing component index.

Conclusion

Table A-1 presents the weighting pattern used to construct the consolidated OUNSPI, which includes all of the components. Table A-2 presents the price indices for each of the components, using 1970-71 as a base year. Table A-3 presents the year to year percentage variations for each of the components.

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* Ontario University Non-Salary Price Index, COU, February 1978.

Table A-1

Non-Salary Price Index Weighting Pattern

Item Component	Index Weight
Books	6
Periodicals	5
Equipment	8
Computing	6
Furniture	3
Stationery & Paper	10
Printing Materials	9
Tools & Apparatus	9
Chemicals	5
Postage	2
Long Distance	2
Electricity	9
Gas	5
Oil	3
Telephone	3
Renovations	2
Transportation	5
Shelter	2
Food Away From Home	2
Insurance	2
Space Rental	2
	100

TABLE A-2

Component Price Indices in the Ontario University Non-Salary Price Index (Based on Fiscal Year 1970-71 = 100)

Component	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Books	100.0	109.9	105.8	100.2	113.2	135.3	140.9	168.0	183.9	219.1[p]
Periodicals	100.0	108.3	120.5	149.0	159.3	186.6	204.3	240.6	294.2	326.7
Equipment	100.0	101.4	101.8	107.1	127.7	144.4	151.0	175.9	202.3	224.7
Computing	100.0	101.9	103.3	104.5	108.1	116.6	117.2	127.9	135.8	143.8
Furniture	100.0	105.0	109.9	122.0	140.0	151.9	161.1	169.0	180.9	204.0
Stationery & Paper	100.0	101.1	103.1	124.0	165.9	180.9	187.5	196.9	216.4	253.9
Printing Materials	100.0	101.7	106.3	130.4	161.0	164.5	163.3	170.1	182.4	208.3
Tools & Apparatus	100.0	103.2	105.6	112.8	130.9	145.2	154.6	172.5	190.7	222.6
Chemicals	100.0	101.1	102.9	114.2	149.0	163.9	170.8	181.0	196.7	229.5
Postage	100.0	112.3	120.8	120.8	120.8	121.3	144.7	181.3	212.1	253.7
Long Distance	100.0	102.6	107.2	109.2	110.3	114.4	122.9	134.3	141.8	146.7
Electricity	100.0	104.9	112.1	121.1	131.0	143.3	183.8	235.8	248.3	274.1
Gas	100.0	101.5	101.9	106.9	120.2	151.2	184.6	213.4	244.6	258.1
Oil	100.0	111.7	108.0	166.7	253.6	279.2	330.9	399.8	459.0	581.9
Telephone	100.0	102.6	107.2	109.2	110.3	114.4	122.9	134.3	141.8	146.7
Renovations	100.0	104.4	109.8	122.9	146.2	154.3	162.9	174.0	193.3	222.5
Transportation	100.0	103.9	105.8	111.1	123.3	138.4	151.2	160.3	170.8	190.2
Shelter	100.0	105.3	111.6	118.9	128.1	140.5	155.8	169.0	180.4	190.3
Food Away From Home	100.0	104.5	112.4	130.1	154.1	172.4	185.2	195.1	212.1	237.7
Insurance	100.0	128.5	155.4	190.2	215.3	271.2	328.7	368.9	390.6	413.4
Space Rental	100.0	105.3	111.6	118.9	128.1	140.5	155.8	169.0	180.4	190.3

p - Preliminary figure

TABLE A-1

Annual Percentage Variation in the Ontario University Non-Salary Price Index Components

Component	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Books	-	9.9	(3.7)	5.3	13.0	19.5	4.1	19.2	9.5	19.1 p
Periodicals	-	8.3	11.3	23.7	6.9	17.1	9.5	17.8	22.3	11.0
Equipment	-	1.4	0.4	5.2	19.2	13.1	4.6	16.5	15.0	11.1
Computing	-	1.9	1.4	1.2	3.4	7.9	0.5	9.1	6.2	5.9
Furniture	-	5.0	4.7	11.0	14.8	8.5	6.1	4.9	7.0	12.8
Stationery & Paper	-	1.1	2.0	20.3	33.8	9.0	3.6	5.0	9.9	17.3
Printing Materials	-	1.7	4.5	22.7	23.5	2.3	0.7	4.2	7.2	14.2
Tools & Apparatus	-	3.2	2.3	6.8	16.0	10.9	6.5	11.6	10.6	16.7
Chemicals	-	1.1	1.8	11.0	30.5	10.0	4.2	6.0	8.7	16.7
Postage	-	12.3	7.6	-	-	0.4	19.3	25.3	17.0	19.6
Long Distance	-	2.6	4.5	1.9	1.0	3.7	7.4	9.3	5.6	3.5
Electricity	-	4.9	6.9	8.0	8.2	9.4	28.3	28.3	5.3	10.4
Gas	-	1.5	0.4	4.9	12.4	25.8	22.1	15.6	14.6	5.5
Oil	-	11.7	(3.3)	54.4	52.1	10.1	18.5	20.8	14.8	26.8
Telephone	-	2.6	4.5	1.9	1.0	3.7	7.4	9.3	5.6	3.5
Renovations	-	4.4	5.2	11.9	19.0	5.5	5.6	6.8	11.1	15.1
Transportation	-	3.9	1.8	5.0	11.0	12.2	9.2	6.0	6.6	11.4
Shelter	-	5.3	6.0	6.5	7.7	9.7	10.9	8.5	6.7	5.5
Food Away From Home	-	4.5	7.6	15.7	18.4	11.9	7.4	5.3	8.7	12.1
Insurance	-	28.5	20.9	22.4	13.2	26.0	21.2	12.2	5.9	5.8
Space Rental	-	5.3	6.0	6.5	7.7	9.7	10.9	8.5	6.7	5.5

p - Preliminary figure

Figure A-1

Source of Component Indices

Component	Source
Books	Bowker (U.S.) Hardcover Book Price Index converted for Canadian dollar fluctuations
Periodicals	Bowker (U.S.) Periodical Price Index, converted for Canadian dollar fluctuations
Equipment	U.S. Department of Labor. Monthly Labor Review. Price index for machinery and equipment, converted for Canadian dollar fluctuations
Computing	U.S. Department of Health, Education and Welfare. Higher Education Prices and Price Index - data processing hardware. Converted for Canadian dollar fluctuations
Furniture	Statistics Canada Industry Selling Price Index - Office Furniture Manufacturers
Stationery & Paper	Statistics Canada Industry Selling Price Index - Paper and Allied Products
Printing Materials	Statistics Canada Industry Selling Price Index - Fine Papers
Tools & Apparatus	Statistics Canada Industry Selling Price Index - Hardware, Tools and Cutlery Manufacturers
Chemicals	Statistics Canada Industry Selling Price Index - Chemical & Chemical Products
Postage	Statistics Canada Consumer Price Index - Postage
Telephone, Long Distance	Statistics Canada Consumer Price Index - Communications
Electricity	Statistics Canada Electric Power Selling Price Index (Non-Residential) consumers over 5,000 kw, Ontario
Gas	Statistics Canada Consumer Price Index - Gas
Oil	Statistics Canada Industry Selling Price Index - Heavy Fuel Oil, #6
Renovations	Statistics Canada Non-Residential Construction Price Index - Materials
Transportation	Statistics Canada Consumer Price Index - Transportation
Shelter, Space Rental	Statistics Canada Consumer Price Index - Shelter
Food Away From Home	Statistics Canada Consumer Price Index - Food Away From Home
Insurance	Statistics Canada Consumer Price Index - Homeowner's Insurance Premium